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Report of the Ad hoc Expert Group on the Finance and Transfer of Environmentally Sound Technologies (15 -19 December 2003, Geneva)

Summary

At its meeting held from 15 to 19 December 2003 at Geneva, the Ad Hoc Expert Group considered previous initiatives on finance and transfer of environmentally sound technologies for sustainable forest management. Particular attention was given to good practices and lessons learned from existing initiatives, as well as to constraints affecting the effectiveness and efficiency of current financing and transfer of environmentally sound technologies. The Ad Hoc Expert Group completed its deliberations by proposing a number of recommendations for improving the transfer of environmentally sound technologies for the consideration of the United Nations Forum on Forests at its fourth session, that are divided into recommendations directed at Member States, members of the Collaborative Partnership on Forests and the Forum itself. Recommendations to the Forum at its current session for improving the financing of sustainable forest management are directed at the national and international levels, both within and outside the forest sector.

* E/CN.18/2004/1.



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I. Background

1. The United Nations Forum on Forests, at its third session, held at Geneva from 26 May to 6 June 2003, agreed to recommend to the Economic and Social Council the establishment of an ad hoc expert group on the finance and transfer of environmentally sound technologies. By its decision 2003/299, the Economic and Social Council decided to establish the Ad Hoc Expert Group on the Finance and Transfer of Environmentally Sound Technologies. Under the terms of reference of the Ad Hoc Expert Group, as contained in the annex, section B, to that decision, the group will undertake the following specific tasks:

Finance

(a) Consider previous initiatives on finance, including recommendations from the Croydon, Oslo and Pretoria workshops, as well as the relevant IPF/IFF proposals for action, background papers and strategy documents of member organizations of the Collaborative Partnership on Forests;

(b) Assess the role and status of official development assistance (ODA) directed towards sustainable forest management and consider ways for enhancing its availability and effectiveness; in this regard, identify possible means to enhance the efforts of developed countries to fulfil their commitments on ODA;

(c) Review the effectiveness of existing international financing for sustainable forest management, including methods and mechanisms; analyse opportunities, country-level gaps, limitations and donor and recipient priorities, as well as the contribution of the Collaborative Partnership on Forests towards financing sustainable forest management; propose measures to improve the effectiveness of that financing for enhancing the enabling environment at both the national and international levels and to attract increased financing from all sources;

(d) Explore the potential of new and innovative approaches to attract increased financing for sustainable forest management; discuss and make suggestions for expanded use of those approaches to address the need for financial resources for financing sustainable forest management, including through national forest programmes or equivalent processes;

(e) Assess country experiences in the mobilization of financial resources to support sustainable forest management; in this regard, identify gaps in, and the potentials and limitations of, current financing sources and financial mechanisms in implementing sustainable forest management; propose approaches to enhance and more effectively use and mobilize national and international financial resources;

(f) Assess and consider the role of the private sector in financing sustainable forest management; in this regard, recommend measures to improve the enabling environment for private investment in sustainable forest management, at both the national and international levels; and encourage increased private resource flows to the forest sector, in particular in developing countries and countries with economies in transition.

Transfer of environmentally sound technologies

(g) Review and assess existing initiatives on the transfer of environmentally sound technologies and knowledge diffusion for the promotion of sustainable forest

management among countries and sectors and stakeholders, including through North-South, North-North and South-South cooperation and programmes of member organizations of the Collaborative Partnership on Forests. This should include an analysis of incentives that promote, and obstacles that inhibit, the transfer of forest-related environmentally sound technologies between and/or within countries, in particular to developing countries and countries with economies in transition, in both the private and public sectors;

(h) Recommend approaches to improve transfer of forest-related environmentally sound technologies. The recommendation may include the role of various policy instruments, such as concessional and preferential terms, public/private partnerships and research cooperation, as well as capacity-building in the use and application of current and emerging environmentally sound technologies, including remote sensing.

II. Organizational matters

A. Venue and duration of the meeting

2. The meeting of the Ad Hoc Expert Group took place at Geneva from 15 to 19 December 2003.

B. Attendance and participation

3. The Forum agreed that the Ad Hoc Expert Group would be made up of 30 experts, with six from each of the five United Nations regional groups and including representatives of developed and developing countries and countries with economies in transition. In accordance with Economic and Social Council decision 2003/299, the first two days of the meeting were open to participation by representatives of the States Members of the United Nations Forum on Forests, who remained as observers for the last three days of the meeting. Members of the Collaborative Partnership on Forests participated in a resource capacity, and were invited to make scientific and technical contributions.

4. Other intergovernmental organizations and representatives of major groups with relevant expertise participated in the meeting in accordance with the rules and procedures of the functional commissions of the Economic and Social Council, as well as practices established by the Commission on Sustainable Development, the Intergovernmental Panel on Forests (IPF) and the Intergovernmental Forum on Forests (IFF). They were invited to make scientific and technical contributions.

5. A full list of participants can be found in annex I to the present report.

C. Election of officers

6. The experts elected Knut Oistad as the Chairman of the Ad Hoc Expert Group.

7. To assist him in the finalization of the report, the Chair established a drafting group consisting of one representative from each regional group. The Chair invited Benedicto Fonseca Filho and Jan McAlpine to act as co-facilitators of the drafting

group. The members of the drafting group included Modesto Fernandez, Joseph Hailwa, Christian Mersmann, Anatoli Petrov and W. R. Wickramasinghe.

D. Documentation

8. In carrying out its deliberations, the group considered three official documents: (a) the provisional agenda, (b) the note by the Secretariat on financing for sustainable forest management: current challenges in the changed financial environment and (c) the note by the Secretariat on transfer of environmentally sound technologies for sustainable forest management: an overview. It also considered the technical background documentation listed in annex II to the present report.

E. Conduct of the meeting

Opening of the meeting

9. On 15 December 2003, Pekka Patosaari, Coordinator and head of the secretariat of the United Nations Forum on Forests, opened the meeting. He provided an overview of the Forum process and the establishment of the ad hoc experts groups. He stressed the importance of the finance and transfer of environmentally sound technologies in the work of the Forum and in promoting sustainable forest management. He also highlighted the expectations of the international community that that Expert Group would effectively and efficiently tackle its tasks and provide concrete and practical recommendations to the Forum.

Discussions

10. The participants had a general exchange of views and then addressed in greater detail the mandated tasks of the group. That enabled the drafting group to put forward a draft report which reflected the productive discussions of the group. The report was adopted by the Ad Hoc Expert Group on 19 December.

Closure of the meeting

11. In his closing statement, Mr. Patosaari congratulated the Ad Hoc Expert Group for its successful deliberations and emphasized the importance of its work for the Forum.

III. Matters for consideration by the United Nations Forum on Forests: summary of challenges and proposals and recommendations

A. General comments

12. The Ad Hoc Expert Group welcomed the note by the Secretariat on transfer of environmentally sound technologies for sustainable forest management: an overview (E/CN.18/AC.2/2003/3), and the note by the Secretariat on financing for sustainable forest management: current challenges in the changed financial environment

(E/CN.18/AC.2/2003/2). It also welcomed the technical background papers that were prepared for the meeting (see annex II).

13. In its deliberations, the Ad Hoc Expert Group agreed to the following:

1. International level

14. The definition for environmentally sound technologies in chapter 34 of Agenda 21 and the Intergovernmental Panel on Climate Change definition of technology transfer provided the context for determining the scope of the work of the Ad Hoc Expert Group on the transfer of environmentally sound technologies.

15. The contribution of sustainable forest management to achieving sustainable development goals, including poverty eradication, should be greatly enhanced through improved transfer of relevant environmentally sound technologies, increased efficiency in financial resources allocation and increased financial flows.

16. The finance and transfer of environmentally sound technologies are closely linked and the transfer of environmentally sound technologies has often been constrained by inadequate financing.

17. With regard to the barriers hindering the financing and transfer of environmentally sound technologies for sustainable forest management, it was concluded that those issues have to be addressed within the context of factors that take place outside the forest sector, inside the forest sector and those that have direct impact on finance and transfer of environmentally sound technologies.

18. The essential role played by international organizations in promoting the transfer of environmentally sound technologies and in increased financing remains of strategic importance. The collaboration of the Collaborative Partnership on Forests is particularly important in that regard at the national and international levels.

19. Cooperative networks of research and educational institutions and among those in developing countries and countries with economies in transition should be strengthened. Particular attention should be paid to enhancing the capacity of developing countries to take advantage of existing and emerging opportunities.

20. The primary importance of North-South cooperation in the transfer of environmentally sound technologies and financing for sustainable forest management was underlined. At the same time the group noted the significance of South-South, South-North and North-North cooperation.

2. National level

21. Countries have the sovereign responsibility for their resources and in that context should assess the needs and support required for technology and knowledge diffusion, particularly at the local level.

22. An enabling environment is needed for the finance, transfer of environmentally sound technologies and capacity-building for sustainable forest management, including good governance, transparency, effective environmental policies, regulations and their application, and the appropriate management frameworks at the national level, giving full consideration to country situations.

23. The transfer of environmentally sound technologies and finance for sustainable forest management need to be closely linked to the priorities and needs established in national forest programmes, or their equivalent. They can provide a policy and institutional framework for promoting the transfer of environmentally sound technologies and financing for sustainable forest management. Moreover, the transfer of such technologies needs to be incorporated as a priority in national development plans.

24. Capacity-building, including extension services, for improved transfer and application of environmentally sound technologies and their financing are essential, particularly for developing countries and countries with economies in transition.

25. There is an extremely important relationship between financing and the use of appropriate environmentally sound technologies and the need for training and education of not only those using the technologies, but also to increase the broader understanding and support of the public, as the implementers of sustainable forest management.

26. While the role of Governments remains essential, there is a new atmosphere of support for the full engagement and participation of stakeholders, including local communities, the private sector, indigenous groups, youth and women as primary managers and users of forests and forest products, in the exchange of knowledge, information, research, experiences and innovative practices related to sustainable forest management.

27. A number of areas were identified where industry and technology institutions play an important role. Those include socially and environmentally sound management systems, remote sensing and geographic information system (GIS) technologies, pulp and paper technology, bioenergy production technology and biotechnology development for a wide range of forest products, including non-wood products. Industry can provide assistance in addressing the competitiveness of environmentally sound technologies utilized in industrial applications.

28. A number of ongoing initiatives at the local and national levels in promoting increased financing and transfer of environmentally sound technologies provide a rich contribution to facilitating more effectively both financing and transfer of such technologies at the international level.

29. The Forum needs to find more effective ways to tap into country experiences on financing and transfer of environmentally sound technology in its intersessional meetings and at its sessions. It can also provide a facilitation and coordination role to advance the effective transfer and use of environmentally sound technologies (including knowledge diffusion) and the leveraging of financing to support the implementation of the IPF/IFF proposals for action.

B. Initiatives and approaches

1. Good practices and lessons learned from existing initiatives

30. The Ad Hoc Expert Group pointed to the wide range of processes, initiatives and organizational experiences that could be drawn upon with respect to the transfer of environmentally sound technologies. A number of them are described in the note by the Secretariat and in the technical background documents. In addition to the

initiatives outlined in the background papers, the group also discussed many others as experienced by the experts. Drawing upon those papers and their own experiences, the Ad Hoc Expert Group highlighted the experiences and lessons learned described below.

31. Bringing together principal stakeholders, including Governments, international organizations, local communities, the private sector, major groups and non-governmental organizations (NGOs), partnerships can provide an effective vehicle for applying integrated approaches for sustainable forest management and the transfer and application of relevant environmentally sound technologies, e.g., the Congo Basin Forest Partnership. The innovation of that initiative is in bringing together 29 partners, including Governments, industry, NGOs, international and research organizations to focus on priority actions in a regional area for sustainable forest management. The heart of the initiative is focused on commitments made by Governments in the region through an intergovernmental process called the Conference of Ministers for the Forests of Central Africa (COMIFAC) and focusing on the Convergence Plan. However, each partner was given the flexibility to use its own financial mechanisms and ascertain its own financial commitments — though new resources were a requirement. The Partnership exists in a virtual sense — it is not an institution, it is established to complement and not compete with existing national, regional and international bodies that exist to address similar issues. The Partnership is committed to facilitating cooperation, enhancing technology transfer (including knowledge diffusion) and financing for the significant forests of Central Africa — the second largest tropical forest in the world.

32. Another example of the use of partnerships as a catalyst for increasing synergies and reducing duplication among existing initiatives is the Asia Forest Partnership, which is providing a framework for the exchange of information and experiences to be followed by concrete actions. It is focused on combating illegal logging, preventing forest fires, and rehabilitation and reforestation of degraded lands. Partners are synthesizing, reviewing, deriving and disseminating lessons from current and past projects. In one example of the benefits of such partnership work by compiling information, gaps and duplications in training, resources can be identified which would further lead to collaborative development of training.

33. Model forests provide a vehicle for the successful transfer of environmentally sound technologies for sustainable forest management. The International Model Forest Network is an initiative that aims to develop refined practices for sustainable forest management. The Network is made up of more than 30 model forests in 13 countries and continues to grow. Model forests are defined by specific attributes. The principles under which they operate are similar to those of national forest programmes but at a landscape rather than at a national level. The transfer of environmentally sound technologies for sustainable forest management happens within individual model forests among partners, as well as among model forests within the global network. Model forests and their network also attract funding. Synergies that flow from collaboration among partners and the coherence of the model forests governance structure serve as a positive influence in increasing financial support both internally and externally for sustainable forest management.

34. Demand for information and knowledge management services provided by the National Forest Programme Facility hosted by FAO has been quickly increasing since 2002, when the Facility was initiated. As a partnership between a number of

developing countries, donors, NGOs and the business community, the Facility specializes in the provision of information and knowledge on national forest programme processes and lessons learned from field experience. These are enhanced through catalytic support inputs based on the expressed demand of partner countries, civil society stakeholders and other key players in Programme processes. Currently, some 30 countries have made partnership agreements with the Facility. At a more general level, some 100 countries will be serviced by mid-2004 with process-related knowledge dissemination, including making country-specific information available in the public domain to support global learning.

35. Lessons will be learned increasingly from country experiences in formulating policies and strategies for resource mobilization and accessing both appropriate technologies and financing for investments for projects and programmes aimed at sustainable forest management. In those efforts, expert approaches are required that embrace governance issues, financing criteria, and a focus on forest-dependent people and community livelihoods in the rural development framework. The Programme on Forests hosted by the World Bank specializes in those areas of expertise. The work carried out by that Programme in cooperation with some 15 partner countries is envisaged to improve the implementation of forest policies and programmes. The lessons learned from field experiences will be synthesized and placed for wide use and eventual replication in the information and knowledge management systems administered by both the Programme on Forests and the National Forest Programme Facility. The two initiatives share a common strategy and are instructed by their owners to collaborate fully in the overall context of the Collaborative Partnership on Forests.

36. Examples of the dissemination of knowledge and environmentally sound technologies can be found in international organizations that bring together producers and users: one example is the International Network for Bamboo and Rattan, a recently established international organization which currently has 27 member countries and focuses on South-South cooperation. Resource improvement and management, processing and product technology, national and international policy development, and human resources development, with a focus on technology transfer among developing countries, work to improve the well-being of producers and users of bamboo and rattan within the context of a sustainable bamboo and rattan resource base by consolidating, coordinating and supporting strategic and adaptive research and development: lack of financing for those kinds of activities remains an impediment to achieving those objectives.

37. Strong cooperation and collaboration between neighbouring countries sharing similar environmental conditions can lead to positive exchange of experiences, lessons learned and scientific, technical and technological knowledge for sustainable forest management. A good example of that kind of South-South cooperation exists between Argentina and Chile, both of which share the Andean/Patagonia region, where the countries have cooperated informally over several years. Capacity-building is being strengthened with the participation of research centres, institutions, and universities; research projects have been promoted; knowledge on ecosystems has been obtained; silviculture and forest management has improved; investments in tourism have been facilitated; criteria for concessions of all types have been exchanged; protected areas have been strengthened; and, in general, there has been an improvement of discussions at the local level leading to higher-quality decisions

regarding forests. That informal cooperation between the two countries has a high commitment from both the Governments and donors.

38. The effective engagement of indigenous communities in sustainable development initiatives can contribute greatly to the development and long-term application of environmentally sound technologies based on traditional knowledge. The Project for the Integrated Management of Andean Ecosystems brings together provincial and local authorities, the indigenous community and the local university in an initiative for the sustainable management of the natural resource base of communal lands in the Cajamarca Valley in northern Peru for the social and economic benefit of the region's indigenous people. An integrated system of environmentally sound technologies based on traditional knowledge was developed for land rehabilitation, management of hydrological resources, agriculture and reforestation. At the core of the project was the use of native trees species, particularly those which served multi-purposes. Model farms providing extension services were established on farms operated by indigenous farmers. Over 200 publications were generated by the project, most being in comic book form directed at the indigenous community. The project is currently integrated into the provincial and local development plans. During the past decade, the project provided the basis for reforestation projects with native tree species involving local communities throughout Peru.

2. Constraints inhibiting the transfer of environmentally sound technologies for sustainable forest management

39. There are a number of constraints affecting transfer of environmentally sound technologies, which include limited financial resources, institutional and policy constraints, human resources problems, and limited access to information on environmentally sound technologies and knowledge for sustainable forest management. There are also multiple reasons why interest groups do not always want to see environmentally sound technologies applied. Inadequate support for research and development, and insufficient outreach programmes involving the private sector and local communities are other constraints. Inappropriate regulations favouring short-term profits over long-term sustainability and unfavourable land tenure regimes can also become constraints affecting the transfer of environmentally sound technologies. Constraints affecting the transfer of such technologies include:

Financial constraints

- Shortage of local financial resources for transferring environmentally sound technologies to sustainable forest management, precisely in those countries where forests are under threat
- High cost of and limited financial resources for acquiring, using and maintaining technologies, including the promotion of the transfer of environmentally sound technologies and capacity-building for the development of know-how
- Priorities other than forests, including urgent human demands, such as shortages of food and human health
- High opportunity costs, particularly in agriculture, for alternative land uses

- Absence of enabling market conditions and proper valuation and prices reflecting the values of wood and non-wood forest products

Institutional, policy and regulatory constraints

- Slow responses in addressing issues such as decentralization, the growing role of local communities in forest management and shifts in financial sources, which impact on sustainable forest management
- Absence of, as well as inadequate and inappropriate policies and laws at the national level for promoting the transfer of environmentally sound technologies, including inadequate integration of sustainable forest management issues and concerns into national, sectoral, regional and local development plans, and lack of inclusion in national poverty-alleviation strategies
- Ineffective management at various levels and inefficient institutions at the national level addressing environmentally sound technologies

Capacity-building constraints

- Lack of capacity and strategies to assess, select, import and adapt environmentally sound technologies
- Limited research and development facilities in developing countries and countries with economies in transition, as well as insufficient support for research and development of environmentally sound technologies for sustainable forest management in many countries
- Inadequate information management systems and limited access to information systems at the international level
- Limited human capacity
- Monitoring the application and effectiveness of environmentally sound technologies

Enabling environment constraints

- Absence of, or inadequate, enabling environment, founded on good governance, for sustainable forest management, including one that enables the transfer of technologies and proprietary aspects of these technologies, provide clarity concerning land tenure and property rights, tax incentives, as well as policies and regulations in support of environmental approaches
- Lack of transparency and facilitatory processes at all levels of society, including with industry, NGOs, forest-dependent communities and others, in the identification of needs and priorities for environmentally sound technologies
- Political instability and conflict
- Absence of political will and commitment to sustainable forest management or even to the forest sector
- Interest groups outside the sector limiting transfers of environmentally sound technologies

- Lack of markets and research and development for promotion of sustainable use of non-timber forest products and lesser-used timber species
- Shortcomings in promoting demand for environmentally sound technologies and of client identification

C. Recommendations to the United Nations Forum on Forests for improving the transfer of environmentally sound technologies for sustainable forest management

1. Proposals for recommendations by the United Nations Forum on Forests to Member States and members of the Collaborative Partnership on Forests

40. In order to support the transfer of environmentally sound technologies to and within countries, the Ad Hoc Expert Group strongly advises the United Nations Forum on Forests to recommend to Member States and members of the Collaborative Partnership on Forests to consider the adoption of the following actions:

(a) Provide assistance to institutional and human capacity-building in developing countries and countries with economies in transition in order to advance research and the development of environmentally sound technologies and to transfer and adapt these technologies to local conditions;

(b) Facilitate the flow of information on environmentally sound technologies to forest-related educational establishments by developing links to information networks, and by strengthening cooperation with enterprises and public institutions using environmentally sound technologies;

(c) Encourage dissemination of forest-related environmentally sound technologies in the public domain;

(d) Strengthen collaboration with regional processes (Montreal Process, the Ministerial Conference for the Protection of Forests in Europe and the New Partnership for African Development, among others) that provide opportunities for the transfer of environmentally sound technologies;

(e) Facilitate technical assistance to domestic enterprises embarking on certification of industrial activities for sustainable forest management;

(f) Develop national policies on land and product tenures with a view to promoting participation of local communities;

(g) Insert a specific chapter on natural resources, including forests, into National Poverty Reduction Strategy documents. That process could rely on the ongoing National Forest Programme Facility in FAO, with the support of members of the Collaborative Partnership on Forests;

(h) Consider the role of financial incentives as a measure for promoting the transfer of environmentally sound technologies, such as financial incentives for companies importing sustainable timber, financial incentives for adopting sustainable forest management practices (e.g., reduced impact logging), tax rebates and financial incentives for companies promoting the recycling of

wood, and financial incentives for companies importing equipment and products that contribute to sustainable forest management, among others;

(i) Enhance the access of small and medium-size enterprises to investment financing with priority on environmentally sound technologies;

(j) Explore the opportunities to introduce fiscal and financial incentives for private enterprises to adopt environmentally sound technologies;

(k) Consider developing an enabling environment, giving full consideration to country situations, for the transfer of proprietary technologies and technologies in the public domain and that also provides appropriate protection of technologies arising from genetic resources;

(l) Incorporate financing, technology transfer and capacity-building for sustainable forest management in national sectoral development plans and regional and local development plans;

(m) Promote public awareness among decision makers, local authorities, local communities, civic society and the public in general about the importance of utilizing environmentally sound technologies for sustainable forest management and the socio-economic benefits that they can generate;

(n) Raise awareness among decision makers on the capacity-building methods related to the transfer of environmentally sound technologies, as well as the potential of new transfer mechanisms to overcome capacity constraints (e.g., build-operate-transfer);

(o) Make use of existing methodologies for analysing the cost implications of replacing unsustainable technologies with environmentally sound technologies for sustainable forest management, with the assistance of members of the Collaborative Partnership on Forests;

(p) Explore how joint ventures and other public-private partnerships could promote the adoption of environmentally sound technologies. Urge Member States to explore and tap funding opportunities for the development of environmentally sound technologies arising under international conventions;

(q) Increase funding for the transfer of environmentally sound technologies in multilateral and bilateral agencies, as well as international organizations, and development of financial mechanisms for supporting the transfer of environmentally sound technologies;

(r) Strengthen environmental curricula in educational institutions for forestry and forest industries highlighting applications of environmentally sound technologies, as well as management of environmental and social impacts and risks of forestry operations;

(s) Undertake monitoring of the application of environmentally sound technologies for sustainable forest management, using a system of baseline measures, in order to access their suitability and effectiveness in achieving sustainable forest management;

(t) Remove perverse incentives reducing the profitability of sustainable forest management and undermining the demand for investments in environmentally sound technologies.

2. Recommendations to the United Nations Forum on Forests supported by members of the Collaborative Partnership on Forests

41. The Ad Hoc Expert Group recommends that the United Nations Forum on Forests, supported by members of the Collaborative Partnership on Forests, support the improvement of the transfer of environmentally sound technologies as part of their implementation of the IPF/IFF proposals for action and, to this end recommends that the Forum:

(a) Invite Member States to consider hosting a country-led initiative on governance and a legal and regulatory framework which provide an optimal context for the transfer of environmentally sound technologies;

(b) Encourage support to public sector organizations in developing countries and countries with economies in transition to design appropriate transfer programmes on environmentally sound technologies;

(c) Invite Member States and members of the Collaborative Partnership on Forests, in particular the World Bank, GEF and the International Tropical Timber Organization, to facilitate and develop an assessment and exploration of how to expand support for microcredit linked to enabling the transfer of environmentally sound technologies, especially for local communities;

(d) Invite collaboration with the private sector to ensure that the full potential of instruments, such as the clean development mechanism, when the Kyoto Protocol enters into force, to support the transfer of environmentally sound technologies in the forest sector will be effectively used;

(e) Invite inputs from industry and technological institutions in evaluating the current status and future prospects for the transfer and development of environmentally sound technologies and formulate recommendations;

(f) Invite Member States to increase funding for the transfer of environmentally sound technologies in multilateral and bilateral agencies, as well as international organizations, and development of financial mechanisms for supporting the transfer of environmentally sound technologies;

(g) Invite Member States and the members of the Collaborative Partnership on Forests to continue its work related to information management and access to environmentally sound technologies, and, to this end, consider promotional events such as exhibits and fairs at relevant international forums;

(h) Invite Governments to provide domestic, bilateral and multilateral funding for research projects to develop environmentally sound technologies for the forest sector reflecting conditions in developing countries and countries with economies in transition; the projects should preferably involve partners from developing and developed countries as well as from public and private sectors; opportunities to encourage South-South transfer should be seized; special attention should be paid to transfer of research capacity to developing countries and countries with economies in transition and to the development of environmentally sound technologies for increasing the competitiveness of sustainable forest management outside high-yielding commercially attractive forests;

(i) Invite FAO, the Center for International Forestry Research and other research organizations, particularly those in developing countries and countries with economies in transition, to develop a field-based research programme on the adaptation of environmentally sound technologies for sustainable forest management to local conditions, supported by countries willing to participate in that research, with a view to energizing the transfer and effective use of environmentally sound technologies;

(j) Invite Member States and members of the Collaborative Partnership on Forests to provide support to research programmes targeted at identifying, refining and extending indigenous environmentally sound technologies that can be used to incorporate and preserve traditional forest-related knowledge. Where necessary, redesign training and research programmes to focus on development of environmentally sound technologies suitable for the poor, disadvantaged groups, and commercially less attractive forests, taking into account traditional forest-related knowledge;

(k) Invite Member States to provide support to producers of environmentally sound technologies in developing countries and countries with economies in transition to enable them to survive and benefit from opportunities provided by easier market access;

(l) Encourage support for more effective South-South exchange on the effective use of environmentally sound technologies through, inter alia, a CLI and a forum sponsored by one of the organizations of the Collaborative Partnership on Forests.

D. Specific tasks undertaken on finance

1. Consideration of previous initiatives on finance

42. Those IPF and IFF proposals for action and Forum resolutions based on previous intersessional meetings in Pretoria, Croydon and Oslo are still valid. The International Conference on Financing for Development, held in Monterrey, Mexico, in 2002, and its follow-up provides an important intergovernmental consensus as a basic framework for discussion on ODA for financing of sustainable forest management. Valuable lessons learned are being accumulated from recent initiatives to mobilize financing for sustainable forest management including through innovative approaches, such as the new GEF Operational Programme on Sustainable Land Management, the Congo Basin Forest Partnership, the Asia Forest Partnership, and others.

43. The concepts of an institutional investment promotion entity drawing its resources from the private and public sectors and of a global forest fund, among others, were discussed at the meeting but did not result in any particular recommendation.

2. Assessment of the role and status of official development assistance directed at sustainable forest management

44. While commitments were made at the Monterrey Conference on Financing for Development, followed by significant pledges pointing to an increase of overall ODA, it has not led to an increased flow of ODA to the forest sector. The

inadequacy of current levels of ODA and the limited impact it has on sustainable forest management, were underlined by the experts.

45. The group emphasized the continuing importance of ODA to developing countries and countries with economies in transition. The group felt that increased ODA to sustainable forest management is essential. At the same time, the group recognized that there are only limited ODA funds likely to be targeted to sustainable forest management. Among the obstacles to channelling ODA and attracting additional resources for sustainable forest management, is that sustainable forest management is not identified and drawn on in Poverty Reduction Strategy processes, nor in other similar macro-level assistance strategies. The inappropriateness of short-term commitments and the project nature of current financing were identified as another set of particularly difficult hurdles because of the long-term nature of sustainable forest management.

46. On the other hand, the channelling of ODA to sustainable forest management requires mainstreaming sustainable forest management into broader ODA strategies, drawing on sources beyond the environmental budgets of the donors. There is a need to raise awareness of the overall benefits of sustainable forest management among donor countries to justify additional funding.

47. The contributions of sustainable forest management to poverty alleviation, food supply, water, energy and sustainable consumption should be recognized and effectively communicated to development financing institutions. Furthermore, there is an urgent need to recognize the social objectives of forest management and the importance of various forest values which merit a high priority in allocation of resources. They could have the benefit of increasing financing for forests from ODA and other sources.

3. Review of the effectiveness of existing international financing for sustainable forest management

48. The existing international financing flows to sustainable forest management include bilateral and multilateral ODA, foreign direct investment by the private sector and funding channelled through various innovative mechanisms.

49. Many countries are currently going through vital reform processes on land use and ownership, addressing the issue of insecure tenure. Innovations such as tailored incentive schemes and financing instruments that serve the defined needs of rural people and local communities can attract more financing for sustainable forest management at all levels. Those reforms have a fundamental impact on forest land and their sustainable management.

50. Harmonized practices and procedures of donor organizations through sector-wide approaches can improve aid disbursement and delivery and economize on high transaction costs for recipient countries to improve sustainable forest management.

51. The National Forest Programme Facility hosted by FAO and the Programme on Forests hosted by the World Bank, which were developed to provide an opportunity for catalytic support to developing countries and countries with economies in transition in the design and implementation of national forest programme processes and for supporting learning financing strategies, governance aspects of sustainable forest management, offer new approaches for international cooperation in financing and technology transfer.

52. International funding for sustainable forest management should be facilitated in the medium and long term beyond traditional project cycles owing to the nature of capacity-building needs and long periods needed for benefit generation. There are situations where long-term external financing will be necessary to manage forests with global ecological values which should be duly recognized by the development cooperation partners.

53. Numerous constraints for the effectiveness and efficiency of the current financing for sustainable forest management exist, including weaknesses in the institutional environment. Those constraints are found both outside and within the forest sector, as well as at the country and international levels, thus calling for integrated and intersectoral approaches to address them. They include:

- Inadequate infrastructure and human resource capacity
- Volatility in world trade in forest products
- Lack of good governance, including corruption
- Lack of adequate law enforcement
- Insufficient levels of political will to achieve sustainable forest management
- Weak capacity in marketing of forest products
- High transaction costs
- Delays and conditionalities in accessing funding from donor agencies
- Low priority for forests and sustainable forest management vis-à-vis other ODA priorities
- Lack of security in many forest areas and conflicts
- Lack of intersectoral coordinated approaches to address constraints of financing.

4. Assessment of country experiences in the mobilization of financial resources for sustainable forest management

54. Many country experiences were brought to the attention of the expert group. Many participants referred to the significant dependence of sustainable forest management on the decisions and actions taken outside the sector. That demands intersectoral coordination and cooperation.

55. Efforts have been made to integrate the forest sector into national planning and linking it to the agriculture, water, energy and environment sectors. The potential contribution of sustainable forest management to sustainable development of rural areas should be recognized and measures taken to revitalize deprived areas through integrated programmes (forest production, small and medium-size enterprise development, biomass energy, ecotourism, etc.).

56. National forest programmes and equivalent processes offer opportunities for domestic financial strategies and procedures that are needed to increase financing from a long-term perspective for sustainable forest management, including from ODA. That will continue to require new approaches and new skills, as well as coordination between international and national sources of financing.

57. It was noted that sustainable forest management can and should preferably be self-financing. However, self-financing in conservation areas, social forestry, community forests and forests providing sustainable livelihood for local people is problematic and often impossible. The need to address all the various aspects of sustainable forest management, ranging from commercial forestry to management of conservation and protection, was highlighted. It was also recognized that there are conflicts between economic and ecological functions of forests due to shortage of financial resources to cover the costs of environmental conservation. Improvements of market access as well as the development of new markets for forest products and services were recognized as tools to move sustainable forest management towards self-financing.

58. Funding for protected areas continues to be a significant challenge, as there appears to be limited possibilities for their effective management from national sustainable forest management budgets without external support. That problem seriously affects rural communities that rely on protected areas as a source of livelihoods. Innovative financing, including private investment, for management of protected areas and conservation of various values of forests could provide further resources.

59. International funding for sustainable forest management should be facilitated for the medium and long term beyond the traditional project cycles owing to the nature of capacity-building needs and long periods needed to benefit generation and for achieving sustainable forest management. There are situations where long-term external financing will be necessary and which should be supported by development cooperation partners.

60. Forest benefits are often regional and sometimes truly global, including carbon sequestration, climate change mitigation and biodiversity conservation. Financial responsibility therefore should be shared.

61. The countries that are planning reform of the forest sector to sustainable forest management are in particular need of increased international funding.

5. Assessment of the role of the private sector in financing sustainable forest management

62. The role of the private sector in financing of sustainable forest management is a vital complement to national and international public sector efforts. The group recognized that in order to attract and enhance private inflows, countries need to continue their efforts to pursue sound economic policies that achieve a predictable investment climate. The role of government remains essential regarding investments in sustainable forest management and will also be fundamental in creating an enabling environment, with full consideration of country situations, which provides adequate measures for risk mitigation and risk sharing. Those elements are equally important for ODA decisions, which also take into account the economic, social and environmental implications of the planned investments.

63. The group also stressed the need for the private sector to take into account not only their profit motive but also the developmental, social, and environmental implications of their investments. Countries should give priority to investors who have internalized both economic costs and social and environmental aspects in their business strategies.

64. The expert group noted the ongoing work by the World Bank and FAO to engage the forest products industry, NGOs and other stakeholders in dialogue to develop and implement sustainable forest management practices, including forest certification systems as tools to verify achievements.

65. Currently, private investors tend to invest in only a few countries and direct their investments into plantations rather than natural forest management. Those trends are not likely to change if the financial profitability in natural forests cannot be improved.

6. Exploring new and innovative approaches to attract increased financing for sustainable forest management

66. The group discussed a large number of either currently used or proposed innovative approaches which have been targeted at attracting increased financing for sustainable forest management. Payment mechanisms for environmental services offer a particular opportunity which is under active development in many countries.

67. The following examples of innovative approaches were identified, inter alia:

- National forest and other funds
- Payment mechanisms for environmental services, including carbon sequestration
- Conservation concessions and easements
- Tax incentives
- Debt-for-nature swaps (often in connection with national trust funds)
- Tourist tax
- Model forests
- Partnership arrangements and other similar strategies
- Bio-carbon fund
- Water taxation for forests.

68. The value of the information contained in the Collaborative Partnership on Forests Sourcebook for funding sources was noted.

69. Financing strategies for sustainable forest management should be considered at all levels (global, international, regional/subregional, national, subnational and local), taking into account lessons learned.

70. Urban areas are the main consumers of water produced in forested rural (watershed) areas. Taxation in the water bills of urban municipalities can be an additional instrument to obtain financial resources. Mexico's National Forest Fund has developed that instrument through its General Law on Sustainable Forest Management, which is directed towards promoting sustainable forest management projects. It has implemented taxation of water used by society, and the payment is provided to *ejidatarios* (holders of a share in common lands), indigenous communities and similar owners as a way of internalizing the costs of forest conservation for those communities through the valuation of the environmental services.

E. Recommendations to the United Nations Forum on Forests

1. Recommendations specific to sustainable forest management financing

71. The United Nations Forum on Forests may wish to consider making the following recommendations to countries: the United Nations Forum on Forests, supported by the members of the Collaborative Partnership on Forests urges:

(a) Allocation of more financial resources to the forest sector either through national budget or through the establishment of national forest funds as part of national forest programmes, or their equivalent. Such funds could be used for payment for the environmental services of forests;

(b) Inclusion of the promotion of private investment in national sustainable forest management financing strategies and inclusion of all types of forests and forest activities;

(c) Promotion of public-private partnerships, including the involvement of local communities and NGOs, as a key instrument for financing sustainable forest management offering an effective instrument both for managing risks and raising funds for activities needed to achieve sustainable forest management;

(d) Where decentralization policies are in place, to gear them towards making local communities responsible for forest and wild life management.

2. Recommendations directed at the national level

72. The United Nations Forum on Forests may wish to consider making the following recommendations:

Within the forest sector

The United Nations Forum on Forests, supported by the members of the Collaborative Partnership on Forests urges:

(a) Countries to use national forest programmes, or equivalent processes, as basic instruments for enhancing public and private sector financing in sustainable forest management. National forest programmes should be accompanied by specific financing strategies identifying the role of various sources of funds and their allocation. Broad participation of stakeholders should be ensured in the preparation, implementation and follow-up;

(b) Countries to include sustainable forest management in their development and poverty reduction strategies or any equivalent mechanisms when appropriate;

(c) Countries to create enabling conditions for sustainable forest management through an improved policy and market mechanism. Regulation should consider financing aspects as it, if appropriately designed, can promote private investment in sustainable forest management;

(d) Countries to make policy development and investment decisions by the private and public sectors more transparent to facilitate the sharing of costs and benefits of sustainable forest management;

(e) Countries to take measures to improve rent capture from forest management. These could include raising the fees collected when unduly low, and regularly adjusting their level over time, when appropriate, considering transaction costs. These measures should be developed in consultation with civil society;

(f) Countries to develop capacity-building programmes targeted at decision makers in forestry financing;

(g) Countries to explore ways to use available ODA for the forest sector more effectively in promoting sustainable forest management and building up respective national capacities. Capacity-building of decision makers in forestry financing to be the priority in financial resource allocation at the national level.

Outside the forest sector

The United Nations Forum on Forests, supported by members of the Collaborative Partnership on Forests urges:

(h) Countries to mainstream sustainable forest management in their national development strategies including poverty reduction strategy papers, where they exist. Countries should highlight the contribution of forests to poverty alleviation, the quality and well-being of the environment and all economic and social development issues, taking fully into account the sector's contribution to sustainable development;

(i) Countries to improve the legal and regulatory framework for environmental management to internalize externalities;

(j) Governments to put in place an enabling investment climate, with an effective institutional framework. This would involve removing broader institutional barriers to financing, taking into account their own country situation;

(k) Countries to put in place, with the assistance of stakeholders adequate mechanisms for intersectoral cooperation in order to mobilize increased financial and human resources.

3. Recommendations directed at the international level

73. The expert group advises the United Nations Forum on Forests to consider taking the following actions:

The United Nations Forum on Forests, supported by members of the Collaborative Partnership on Forests should:

(a) Urge multilateral and bilateral financial and development institutions working on sustainable forest management in their actions to harmonize their operational procedures so as to reduce transaction costs and make disbursements and delivery of ODA more flexible;

(b) Develop an initiative to work with donor countries to mainstream sustainable forest management as one of the important sectors for ODA allocation;

(c) Urge donor countries to fulfil their commitments of ODA, pursuant to the United Nations Conference on Environmental and Development and the Monterrey Consensus of the International Conference on Financing for Development and reinforced in the Johannesburg Plan of Implementation adopted at the World Summit on Sustainable Development, and to increase the share of ODA to sustainable forest management in developing countries;

(d) Prepare reliable data at the country level on the volume of ODA and other external sources of financial support for sustainable forest management;

(e) Update and expand the source book on financing for sustainable forest management, including accessing multilateral environmental agreements in support to sustainable forest management;

(f) Develop operational policies and conditionalities as risk management measures by international financing institutions and duly consider the implications for eligibility of different types of forest management and the diversity of country situations;

(g) Foster existing regional and subregional public-private partnerships for forests as useful mechanisms to mobilize financing for sustainable forest management in the participating countries;

(h) Facilitate the ongoing communication among the private sector, NGOs and Governments around the use of market-based instruments, such as certification of sustainably managed forests, including further discussions of ways to increase cooperation and minimize conflict;

(i) Invite the World Bank to engage the International Financial Corporation in a process with other members of the Collaborative Partnership on Forests to promote sustainable forest management as a way to attract private sector investment to forests, facilitate the transfer of effective technologies and advance the implementation of IPF/IFF proposals for action, including through analysing the linkages between key macro-economic policies and forest-specific programmes;

(j) Invite the GEF to facilitate the contributions of members of the Collaborative Partnership on Forests in advising on the development of the implementation aspects of the sustainable forest management component of the sustainable land management focal area, and in addition to coordinate a capacity-building initiative with countries qualifying for GEF grants for sustainable forest management with a view to increasing their financial support;

(k) Convene one or more regional meetings of representatives from concerned Governments and international organizations, NGOs and the donor community to carry out a preliminary assessment that identifies the existing sources and funding levels for protected areas and to develop approaches to increase funding for protected areas, including non-timber forest products and biodiversity values as essential components for funding;

(l) Explore ways to help national lending institutions and regional development banks incorporate sustainable forest management in their lending and grant programmes;

(m) Invite the World Bank, as a member of the Collaborative Partnership on Forests, taking into account the disruptions caused by structural adjustment loans, to incorporate the key principles and objectives of sustainable forest management in the revision of the Operational Policy for Structural Adjustment Lending, so as not to undermine sustainable forest management at the country level;

(n) Invite members of the Collaborative Partnership on Forests, donors and the international community to continue working on country, regional and international initiatives to support countries to address issues relevant to forest law enforcement and governance, upon request;

(o) Invite the World Bank to effectively incorporate sustainable forest management concerns in its Country Assistance Strategy documents, where appropriate.

Annex I

List of participants

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- Mr. Modesto Fernández Díaz-Silveira, Ministry of Science, Technology and Environment, Cuba
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Major group entities

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Mrs. Mary Coulombe, International Council of Forest and Paper Associations/
American Forest and Paper Association

Mr. William Street, International Federation of Building and Wood Workers

Mr. Richard Alexander Fuckner, International Forestry Students' Association

Ms. Anniina Kostilainen, International Forestry Students' Association

Mr. Robert Sagun, National Federation of Youth Organizations in Bangladesh/Young
Volunteers for Sustainable Development

Annex II

Documentation

Working documents

- | | |
|---------------------|---|
| E/CN.18/AC.2/2003/1 | Provisional agenda and annotations |
| E/CN.18/AC.2/2003/2 | Note by the Secretariat: Financing for sustainable forest management: current challenges in the changed financial environment |
| E/CN.18/AC.2/2003/3 | Note by the Secretariat: Transfer of environmentally sound technologies for sustainable forest management: an overview |

Background documents

- | | |
|----------|---|
| A/58/216 | Implementation of and follow-up to commitments and agreements made at the International Conference on Financing for Development |
| | Transfer of environmentally sound technologies for the sustainable management of mangrove forests: an overview |
| | Transfer of environmentally sound technologies from developed to developing countries |
| | Transfer of environmentally sound technologies for the sustainable management of tropical forests |
| | <i>CPF Sourcebook on Funding for Sustainable Forest Management</i> (www.fao.org/forestry/cpf-sourcebook) |
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